

THE NATIONAL BANKING SYSTEM. 4!
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The last point was finally conceded by the Secretary, and banks were allowed to retain their old names with the prefix "national." When this was yielded, says Mr. McCulloch, "they came into the national system with a rush,— Boston, as is her wont in all enterprises, taking the lead." An Act was passed in 1873 forbidding the use of the word ⁴¹ "national" in the titles of banking institutions not organized and transacting business under the National Currency Act.

The destruction of the State banks as banks of issue by taxation was not a component part of the national banking system at its origin. Secretary Chase, in his first annual report, suggested the possibility of taxation, in order to transfer to the government some of the profits of circulation, and he remarked, in his second annual report for 1862, that he had ⁴² heretofore advised the imposing of a moderate tax on corporate circulation, and now renews the recommendation as the best means of reduction and gradual substitution." The first banking act provided that any State bank holding United States bonds to the amount of fifty per cent, of its capital stock might deliver them to the United States Treasurer and receive circulating notes equal to eighty per cent, of the face value of the bonds transferred, and that upon the failure of such a bank the bonds should be declared forfeited to the United States and the circulating notes should be redeemed and paid at the United States Treasury. These provisions for State banks were omitted from the Act of June 3, 1864, and Comptroller McCulloch, in his annual report for 1864, suggested the query whether "the time has not arrived when all these institutions should be compelled to retire their circulation? " He stated that he had not felt like recommending such action "as long as there was any uncertainty in regard to the success of the national banking system," and he limited his recommendations to taxation "which should be sufficient to effect the object without being oppressive." ¹ The result was a provision in the Revenue Act of March 3, 1865, laying a tax of ten per cent.

¹ Report on the Finances, 1864, 54.